

AHCCCS fact sheet: Medical Expense Deduction (MED)

When voters approved Proposition 204 in 2000, AHCCCS established a spend down category called Medical Expense Deduction as part of the changes. The old Medically Needy/Medically Indigent spend down category was eliminated in a transition that moved eligibility from the counties to the Arizona Department of Economic Security.

WHO QUALIFIES

MED includes individuals who cannot be made eligible under other AHCCCS Title 19 categories because their income is too high. Applicants can use medical expenses for which they are financially responsible to subtract from their income and "spend down" to 40 percent of the Federal Poverty Level, the qualifying level.*

A person's resources cannot exceed \$100,000, of which no more than \$5,000 can be liquid resources (such as cash). An applicant also must be a citizen or a qualified immigrant.

ELIGIBILITY

The Arizona Department of Economic Security determines MED eligibility and reviews it before the end of the six-month eligibility period. Some 86.4 percent of MED applications originate through spend down at a hospital. Applicants must provide proof of income, assets, other insurance, payment for day care, medical bills, a Social Security number or legal immigrant documents.

Eligibility is effective the date spend down is met or on the first day of the month the application is filed, whichever is later.

All applicants must be Arizona residents.

ENROLLMENT AND DEMOGRAPHICS

Current enrollment is only 0.4 percent of the total AHCCCS population. The previous year's growth was 12 percent, but enrollment has gone flat since November 2004 from a peak of 4,292. Growth is expected to be flat for SFY 2006. The average length of enrollment is about 4.11 months.

The demographic makeup of this group includes 18.9 percent who are age 18 or younger; 75.3 percent who are ages 19 through 64; and 5.8 percent who are 65 or older. Some 40.9 percent of eligible recipients are between the ages of 40 to 59. The group is also largely urban, with 71.5 percent residing in Maricopa and Pima counties and 28.5 percent living in rural counties.**

For an individual, 40 percent of FPL is \$311 a month. The Federal Poverty Level is adjusted each year in April.

**Other demographic characteristics include a slightly larger male population (54 percent) than female (46 percent). As for household size, 64 percent come from 1- and 2-person households; 24 percent from 3- to 4-person households; and 12 percent from 5- to 10 percent households. Most - 91.5 percent - have incomes at three times the Federal Poverty Level, or less. The Federal Poverty Level for an individual is currently \$776 a month. The FPL is adjusted each year in April.



BACKGROUND

When AHCCCS first began, the program had an eligibility category called Medically Needy/Medically Indigent whose eligibility was determined by each county. The MN/MI group was funded by state and county monies; no federal matching funds were available. The category was set up with a spend down provision under which a person's medical expenses were offset against monthly income to reach a qualifying level.

Proposition 204 made changes that resulted in the end of the MN/MI program, the creation of MED, and the transferring of eligibility determination to the Arizona Department of Economic Security. Through federal agreement, AHCCCS was allowed to draw down federal matching dollars for the care of these members, effective Oct. 1, 2001.

BUDGET

	SFY 2004 actual	SFY 2005 projected	SFY 2006 requested
Federal	\$ 84,257,300	\$ 100,588,100	\$ 104,091,300
State	\$ 34,979,200	\$ 47,714,000	\$ 50,068,200
Total	\$ 119,236,600	\$ 148,302,100	\$ 154,159,500

EXPENDITURES BY CLAIM FORM TYPE

10/1/02-9/30/03

Professional services	\$ 26,941,666	28.4%
Pharmacy	\$ 3,627,013	3.8%
Dental services	\$ 261,716	0.3%
Inpatient services	\$ 54,519,694	57.5%
Outpatient hospital services	\$ 8,560,399	9.0%
Long term care services	\$ 924,835	1.0%
Total:	\$ 94,835,323	100%

VALUE OF SERVING POPULATION

As a result of Proposition 204 and the subsequent "federalizing" of the state-only MN/MI category (which allowed for federal matching funds), the state has been able to draw down billions in federal funds and has served tens of thousands more individuals under MED than would have been possible under MN/MI.*

Additionally, health care coverage for this population avoids uncompensated care costs, particularly by emergency rooms and inpatient hospitals. Coverage for this group also increases the dollars going to support Arizona's health care economy, and helps individuals maintain financial stability.

*Between fiscal years 2002 and 2006, the state has generated \$3.8 billion in federal funds that would have gone uncompensated with the MN/MI program. The state also has served 226,700 individuals during that time, compared to an estimated 18,900 if the old MN/MI program had continued.



AHCCCS